



WEEKLY ECONOMIC DIGEST

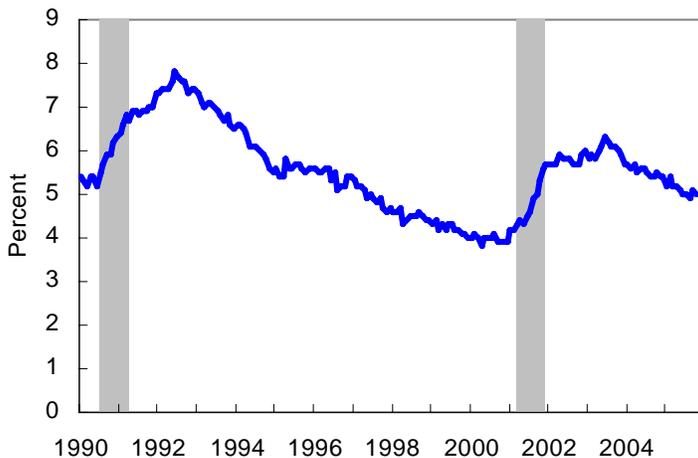


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

November 8, 2005

October Data Show Little Payroll Employment or Labor Force Growth

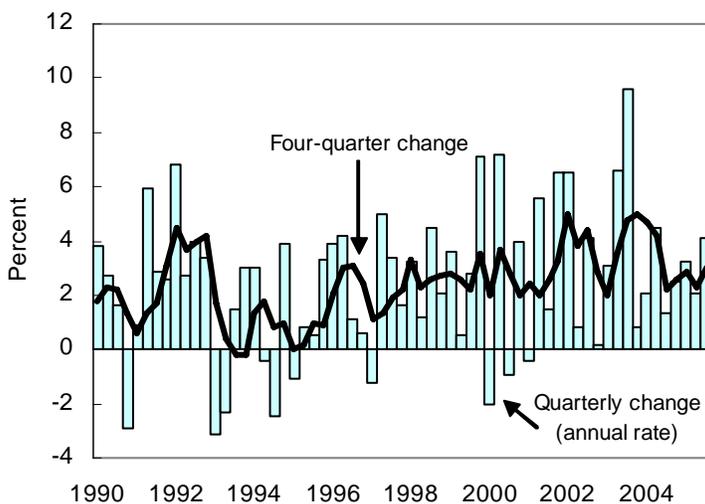
Unemployment Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

Growth of Nonfarm Business Productivity



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Job growth was weak last month.** Total payroll employment at nonfarm establishments rose by just 56,000 jobs in October. The Bureau of Labor Statistics (BLS) said that last month's weak job growth was not confined to hurricane-affected areas. The BLS also revised its estimates for earlier months to a gain of just 148,000 jobs in August and a loss of just 8,000 jobs in September, when Katrina was a factor.
- **Unemployment fell slightly last month.** The civilian unemployment rate edged down to 5.0 percent in October (see top chart). However, there was no net entry into the labor force. As a result the percentage of the population in the labor force (66.1 percent) and percentage of the population with a job (62.9 percent) remain more than a percentage point below their levels at the start of the recession in March 2001.
- **Productivity accelerated, but real compensation fell in the third quarter.** Output per hour in nonfarm businesses rose at a 4.1 percent annual rate in the third quarter, to a level 3.0 percent higher than it was a year earlier (see bottom chart). However, real (inflation-adjusted) hourly compensation—a measure of earnings that includes both wages and benefits—fell 1.4 percent at an annual rate in the third quarter and was only 1.9 percent higher than it was a year earlier. These data do not separate wage gains from benefit gains, but other data suggest that wages grew more slowly than benefits in the third quarter.
- **Wages rose in October, but prices probably rose faster.** The average hourly earnings of production and nonsupervisory workers in private nonfarm industries rose by 0.5 percent last month, the largest monthly increase since February 2003. However, consumer prices probably increased even faster (the consumer price index for October is not yet available). The 2.9 percent increase in average hourly earnings over the past 12 months is almost surely less than the increase in prices over that period, implying a decline in real wages.

The Economy at a Glance	Oct	Sep	Aug	Jul	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	3.8	3.3	3.8	3.3	4.2	2.7
Industrial Production (% growth)	n.a.	-14.5	2.4	0	1.3	1.4	3.6	4.5	4.2	0
Capacity Utilization (level, %)	n.a.	78.6	79.8	79.7	79.4	79.4	79.3	78.8	78.1	75.5
Civilian Unemployment Rate (level, %)	5.0	5.1	4.9	5.0	5.0	5.1	5.3	5.4	5.5	6.0
Housing Starts (thousands)	n.a.	2108	2038	2062	2069	2044	2083	1973	1950	1854
Real Disposable Personal Income (% growth)	n.a.	12.3	-16.1	1.5	-0.9	1.5	1.0 [#]	4.3 [#]	3.1 [#]	2.4
Retail Sales (% growth)	n.a.	2.9	-20.2	22.4	6.7	10.8	6.0	9.8	7.3	4.3
Personal Saving Rate (level, %)	n.a.	-0.4	-1.8	-1.2	-1.1	0.1	0.5	1.2 [#]	1.5 [#]	2.1
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	15.4	6.2	6.2	5.1	4.2	2.4	3.6	2.7	2.3
Core CPI-U Inflation (% growth)	n.a.	1.2	1.2	1.2	1.5	2.0	2.6	2.3	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	3.2	2.8	2.8	3.2	3.9	3.9
Output per Hour (% growth)	—	—	—	—	4.1	2.1	3.2	2.5	3.4	3.8
Financial Markets										
T-bill Rate, 3-month (level, %)	3.71	3.42	3.44	3.22	3.36	2.86	2.54	2.01	1.37	1.01
T-note Rate, 10-years (level, %)	4.46	4.20	4.26	4.18	4.21	4.16	4.30	4.17	4.27	4.01
Federal Funds Rate (level, %)	3.76	3.62	3.50	3.26	3.46	2.94	2.47	1.95	1.35	1.13
Dow Jones Industrial Avg (index level)	10324	10533	10554	10545	10544	10382	10648	10362	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **Monthly Wholesale Trade: Sales and Inventories: September 2005** [Release: Wednesday, November 9]
- **U.S. Import and Export Prices: October 2005** [Release: Thursday, November 10]
- **U.S. International Trade in Goods and Services: September 2005** [Release: Thursday, November 10]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: October 2005** [Release: Thursday, November 10]
- **Producer Price Indexes: October 2005** [Release: Tuesday, November 15]
- **Advance Monthly Sales for Retail and Food Services: October 2005** [Release: Tuesday, November 15]